



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 23, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
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Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **NEW HORIZONS FAMILY CENTER CONTRACT REVIEW – A
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of New Horizons Family Center (New Horizons or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with New Horizons, a private, non-profit, community-based organization that provides services to clients in Service Planning Area 4. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Third District.

DMH paid New Horizons on a cost-reimbursement basis between \$1.78 and \$2.29 per minute of staff time (\$106.80 to \$137.40 per hour) for services or approximately \$485,000 for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of our review was to determine whether New Horizons complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services. We also evaluated the adequacy of the Agency's accounting records,

internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency's staff.

Results of Review

New Horizons maintained documentation to support the service minutes sampled and staff assigned to the County contract possessed the required qualifications. However, New Horizons charged DMH \$8,790 in unsupported expenditures and did not always comply with other County contract requirements. Specifically, New Horizons did not:

- Complete some elements of the Assessments for 16 (62%) of the 26 clients sampled in accordance with the County contract.
- Complete Client Care Plans for 17 (65%) of the 26 clients sampled.
- Complete eight (20%) of the 40 Progress Notes reviewed in accordance with the County contract.
- Document Informed Consent in eight (80%) of the ten client charts sampled, in which the client received treatment with psychotropic medication.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with New Horizons and DMH. In the attached response, the Agency concurred with our recommendations and agreed to reduce their FY 2006-07 Cost Report by \$8,790. In addition, as a result of the error rate noted in this report, New Horizons indicated that they have implemented additional quality controls to ensure that all documentation is complete and accurate. DMH will work with the Agency to ensure that the findings and recommendations are implemented.

We thank New Horizons management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Rich Roche, President, Board of Directors, New Horizons Family Center
Dr. Maria Rochart, Executive Director, New Horizons Family Center
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
NEW HORIZONS FAMILY CENTER
FISCAL YEAR 2007-08**

BILLED SERVICES

Objective

Determine whether New Horizons Family Center (New Horizons or Agency) provided the services billed in accordance with their County contract with the Department of Mental Health (DMH).

Verification

We selected 40 billings totaling 4,460 minutes from 34,052 service minutes of approved Medi-Cal billings from May and June 2008. We reviewed the Assessments, Client Care Plans, Progress Notes and Informed Consent maintained in the clients' charts for the selected billings. The 4,460 minutes represent services provided to 26 program participants.

Results

New Horizons maintained documentation to support the service minutes sampled. However, the Agency did not always complete the Assessments, Client Care Plans, Progress Notes and Informed Consent in accordance with the County contract requirements.

Assessments

New Horizons did not complete some elements of the Assessments for 16 (62%) of the 26 clients sampled in accordance with the County contract. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. Specifically:

- The Agency did not prepare an annual Assessment for one of the clients sampled. The County contract requires Agencies to assess clients' needs annually to ensure that services continue to be necessary.
- Fifteen Assessments did not adequately describe the symptoms and behaviors exhibited by the clients to support the Agency's clinical diagnosis. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them.

Client Care Plans

New Horizons did not complete Client Care Plans for 17 (65%) of the 26 clients sampled in accordance with the County contract. Specifically:

- Seventeen Client Care Plans contained goals that were not specific.
- Fifteen Client Care Plans contained goals that were not related to the clients' needs identified in the Assessments.

The number of incomplete Client Care Plans in the examples above exceeds the overall number of Client Care Plans reviewed because some of the Client Care Plans contained more than one deficiency.

Progress Notes

The Agency did not complete eight (20%) of the 40 Progress Notes reviewed in accordance with the County contract. Specifically, the eight Progress Notes for Medication Support Services did not indicate that the clients were questioned about side effects, response to medication and medication compliance.

Informed Consent

New Horizons did not document Informed Consent in eight (80%) of the ten client charts sampled, in which the client received treatment with psychotropic medication. Informed Consent documents the client's agreement to a proposed course of treatment based on receiving clear, understandable information about the treatments' potential benefits and risks.

Recommendations

New Horizons management ensure:

- 1. Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**
- 2. Informed Consent is obtained and documented in the client's chart prior to treatment with psychotropic medication.**

STAFFING LEVELS**Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide services that required staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether New Horizons' treatment staff possessed the required qualifications to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for all six mental health treatment staff who provided services to DMH clients during May and June 2008.

Results

Each employee in our sample possessed the qualifications required to deliver the services billed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash and other liquid assets.

Verification

We interviewed New Horizons management and reviewed the Agency's financial records. We also reviewed the Agency's June 2008 bank reconciliations for two bank accounts.

Results

New Horizons maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether New Horizons' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed New Horizons' Cost Allocation Plan and selected a sample of expenditures to ensure that expenditures were appropriately allocated to the Agency's programs.

Results

New Horizons' Cost Allocation Plan was prepared in compliance with the County contract and the expenditures were appropriately allocated.

Recommendation

None.

EXPENDITURES

Objective

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We reviewed financial records and documentation for 22 non-payroll expenditures totaling \$21,659 for July 2007 through June 2008.

Results

Generally, New Horizons' expenditures were allowable, accurately billed and supported by documentation as required.

Recommendation

None.

FIXED ASSETS**Objective**

Determine whether fixed asset depreciation costs charged to the DMH program was allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed staff and reviewed the Agency's financial records related to fixed assets. In addition, we reviewed two fixed assets with depreciation costs of \$40,578 that the Agency charged to the DMH program during Fiscal Year (FY) 2006-07.

Results

The depreciation costs charged to DMH were allowable, properly documented and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files were maintained as required.

Verification

We reviewed the payroll expenditures totaling \$15,450 for ten employees charged to the DMH program for May 2008. We also reviewed the personnel files of the ten employees.

Results

New Horizons appropriately charged payroll expenditures to DMH. In addition, personnel files were maintained as required. However, five (50%) of the ten employees' timecards were not signed by their supervisors.

Recommendation

3. New Horizons management ensure that employees' timecards are signed by their supervisors.

COST REPORT**Objective**

Determine whether New Horizons' FY 2006-07 Cost Report reconciles to the Agency's accounting records.

Verification

We traced the Agency's FY 2006-07 Cost Report to the Agency's accounting records.

Results

New Horizons' Cost Report contained \$8,790 in undocumented expenditures. Specifically, New Horizons' Cost Report exceeded their accounting records by \$8,790.

Recommendation

4. New Horizons management revise the FY 2006-07 Cost Report to reduce the reported program expenditures by \$8,790 and repay DMH for any excess amount received.

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New Horizons Family Center

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☐ **Mental Health Center**
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www.newhorizonsfamilycenter.org

March 16, 2010

County of Los Angeles

Department of Auditor-Controller

500 West Temple Street #525

Los Angeles, CA 90012

Subject: New Horizons Family Center Contract review – A Department of Mental
Health Service Provider

To Whom It May Concern:

New Horizons Family Center has taken the necessary steps to rectify the deficiencies notated in the review. The following responses are in the order stated in the report. We appreciate your help in converting our weaknesses into strengths to ensure contract compliance.

Billed Services

1. In order to ensure that all Assessments, Client Care Plans and Progress Notes are completed in accordance with LACDMH contract, Clinical supervisors are to review each case with clinicians to verify that Client Care Plans and goals are described in detail so that they meet the specific needs of each individual client. In addition, Progress notes must contain clear indications that clients are responsive and aware of the benefits and any detrimental effects of that the issued medication could cause.
2. As part of the Client Care Plan, each client is to complete the Informed Consent form prior to receiving treatment in which the Client Care Plan will anticipate psychotropic medication as part of their plan.

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Payroll and Personnel

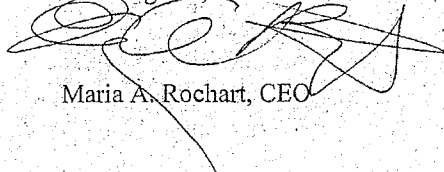
3. The Finance Department will verify and obtain approval by immediate supervisor in order to ensure the accuracy of employee time cards. In the event that time cards are received without a verifying signature, all cards will not be accepted and will be returned for proper verification by immediate supervisor.

Cost Report

3. The recommendation is to revise the cost report and reduce expenditures by \$8,790 and to repay DMH for any excess amounts. There was a difference between the trial balance submitted to DMH and the Cost Report submitted to DMH for this amount. The agency believes that this difference was an error and plans to resubmit a revised trial balance and cost report to correct this discrepancy.

If you have any questions or concerns, please feel free to contact us at the numbers listed above.

Best Regards,



Maria A. Rochart, CEO